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Indonesia -- Countdown To Elections

INTRODUCTION

Mr. Chairman, thank you for the opportunity to address this subcommittee. I am particularly pleased with your decision today to run a little counter to current trends and give me the chance to focus not on Korea or China, but on Indonesia.

Indonesia is one of Secretary Albright's four "priority" developing democracies. Her criteria for selection included regional impact, prospects for near-term democratic developments, and resources -- both natural and human -- available for future development. The Secretary's choice of Indonesia acknowledges what Indonesia watchers have long held: what happens to Indonesia impacts all of Southeast Asia.

I know that I need not belabor the importance of Indonesia with this subcommittee: Indonesia sits astride strategic global shipping lanes. It is the fourth most populous nation in the world and has the largest Muslim population. It possesses a wealth of natural resources. It plays a critical role in regional political issues. It encompasses a wide array of cultures and religions. It is a co-founder of the non-aligned movement, a member of OPEC, and a respected participant in the Organization of Islamic Countries. It is a critical member of ASEAN.

What I do want to emphasize is that this is a pivotal moment in Indonesia's history. Indonesia is about to hold the first election in over forty years where the results are unknown. A successful electoral process, culminating in the selection of a new President and Vice President by the MPR in November, will go far in determining the prospects for democracy, the pace of recovery, and the potential for social stability in this key Southeast Asian nation. By extension, the course that Indonesia follows will have ramifications well beyond its borders.

PRESENT DEVELOPMENTS

The situation in Indonesia today is remarkably complex, reflecting a number of positive developments as well as a number of troubling ones.

On the positive side, President Soeharto's ouster in May 1998 created genuine opportunities for reform in Indonesia's political system. President Habibie has lifted controls on the press, political parties, and labor unions. Civil society has blossomed. There is a growing spectrum of diverse political parties. New rules for the electoral

system have been accepted by the major opposition leaders. Parliamentary elections are set for June 7, 1999, and a new President is to be selected several months later.

ABRI, Indonesia's military, one of the pillars of the Soeharto regime, is also changing. The Indonesian people have made it clear that military dominance of the state is no longer acceptable. The number of ABRI representatives in Parliament has been halved. Many opposition parties have placed a diminution of the military's socio-political role high on their agendas.

The armed forces leadership appears to be getting the message. Under the leadership of General Wiranto, ABRI has committed to a number of key structural reforms aimed at reducing the military's political role in the state, including withdrawing support from the ruling party and pledging neutrality in the upcoming elections; scheduling the separation of the police from the military; requiring ABRI personnel who accept jobs as civilian administrators to resign from active service; and eliminating the position of Chief of Staff for Social and Political Affairs -- the very embodiment of the military's political role.

Negotiations on East Timor's future have seen dramatic progress in recent months since President Habibie's announcement that he will recommend independence for the troubled territory if the East Timorese reject Indonesia's offer of wide-ranging autonomy. Just last week, Indonesia agreed to a direct ballot "democratic consultation" mechanism by which the East Timorese will be able to consider the Indonesian autonomy offer. As things stand now, the UN, Portugal, and Indonesia plan to finalize the autonomy proposal by late April and then put the package to the East Timorese for a direct vote no later than July.

On the economy, President Habibie's recent decision to shut down 38 insolvent banks is a vital step forward in the process of economic recovery. Revitalized banks, ready and able to lend on commercial bases, are necessary to get Indonesia back on the path to prosperity. Consequently, with the rupiah strengthening from summer lows, inflation down, and interest rates declining, the Indonesian economy is showing some positive signs.

And so, Mr. Chairman, Indonesia has come a long way in the 10 short months since Soeharto resigned, but much continues to threaten that which has been accomplished. First and foremost on the list of concerns is the troubling persistence of violence. ABRI's inability to restore order during outbreaks of violence has caused serious concerns both in Indonesia and abroad. Ambon is one visible example, but many others exist.

Unless this violence can be brought under control, Indonesia's ability to carry out free and fair elections will be put at risk. More fundamentally, the violence threatens the very fabric of Indonesia's multi-ethnic society, jeopardizing the spirit of tolerance that has distinguished Indonesia for so many years. ABRI's inability to quell this violence, and the lack of accountability for past actions, have all but destroyed the notion of ABRI as the protector of the people.

East Timor has not been spared this violence. In fact, a cycle of violence may be intensifying in East Timor between pro-independence and pro-integration factions. There are persistent, credible reports that elements of the Indonesian military are arming pro-integration civilian groups, and we have repeatedly made it clear to the Indonesians that

such actions must be stopped.

Another serious issue which will require a credible effort is the lack of a credible effort to systematically address corruption. For example, reports that "money politics" are creeping into the election campaign are undermining the Indonesian people's confidence in the credibility of the election process.

Finally, while the Indonesian government's recent bank restructuring was a welcome and much needed step, the basic economic picture remains grim. Indonesia's GDP dropped over 13 percent in 1998 and the IMF predicts it will drop another 3.4 percent in 1999. The World Bank reports that 14 percent of Indonesians now live below the poverty line, and the International Labor Organization estimates unemployment between 8 and 11 percent. The return of investor confidence, an important indication of, and contributor to, Indonesia's economic recovery, will be dependent on sound economic policies as well as credible elections.

POLICY PRIORITIES

The foregoing sketch gives an indication of the plethora of important issues which Indonesia must address. For the immediate future, this Administration will focus on the following: the importance of credible June 7 elections, stemming the spreading violence, continued progress towards economic recovery, and peaceful resolution to the situation in East Timor.

June 7 Elections

The success of Indonesia's June 7 parliamentary elections constitutes our highest short-term priority because the elections are a necessary, if not sufficient, condition for the restoration of political stability and economic recovery. In order for these elections to play that positive role, it is essential that Indonesians perceive them as free, fair, and credible.

Preparations to achieve this standard of electoral legitimacy are underway, but in an immense archipelagic country with as many as 125 million voters, much remains to be accomplished. The Indonesian Government has recently indicated that it welcomes technical assistance for the elections. The UNDP has stepped forward to coordinate the international community's response. Financially, even our significant $30 million in planned electoral assistance is far short of the total amount Indonesia will need. Consequently, we are working closely with other potential donors to ensure that additional monies are made available to Indonesia on a timely basis.

Hopefully the June elections will be harbingers of fundamental political change in Indonesia. Not surprisingly, however, there are those who question the extent of the transformation underway. A legacy of generally weak and frequently corrupt institutions has led many potential political participants to remain deeply skeptical, both about the elections and the reform process in general. These disaffected actors do not trust the current Habibie government to carry out free and fair elections. They believe the military should be completely removed from politics. They want to see former President Soeharto, his family, and cronies, prosecuted for corruption. They see President Habibie's failure to

follow through on some highly visible human rights cases as evidence that his government does not have the political will to break with past practice.

This skepticism is not without basis and those concerns should not be dismissed. But the vast majority of Indonesians see these elections as the only way forward, even while recognizing that one election does not a democracy make. Indonesians will have to work hard to internalize democracy. Political parties which are unsuccessful will have to accept the electoral results and take up the role of constructive opposition. In subsequent elections, former victors will have to voluntarily relinquish power. In short, successful June elections are only a first step, and the U.S. must be prepared to remain engaged to support democracy in Indonesia over the long term.

Violence

Indonesia's present level of ambient violence threatens to negate the country's hard-won progress. Ethnic conflict. Intra-religious violence. Skirmishes between armed civilian factions. All have either recently taken place, or are presently taking place.

Ambon is perhaps the most tragic example. Once known for its tradition of peaceful co-existence between Muslims and Christians, now Ambon is characterized by charred churches and mosques, fleeing residents, armed civilians, and a collapsing economy. Up to 200 inhabitants have been killed in the violence that has erupted since January. Thousands are homeless. The initial cause of the conflict is not clear, but social restraints and security forces have thus far proven unequal to the task of containing the spreading violence.

Throughout Indonesia, security forces have been faced with constant street rallies and demonstrations. They have been forced to walk a precarious line between violent suppression and unresponsive inaction, and have erred in both directions. This in turn perpetuates the image of Indonesia as a major human rights violator, overshadowing the very significant progress that has otherwise been made on human rights issues.

Given the inadequacy of police forces, ABRI will have to continue to play a major internal security role for the foreseeable future. With insufficient training in controlling massive and sustained civil discord, cognizant of its past excesses and present failings, and intent on keeping its pledge to remain out of politics, ABRI is reticent to enter the new Indonesian era as the enforcer of domestic peace. However, with the lack of any other viable alternative, ABRI must shoulder its responsibilities honorably.

At a minimum, ABRI must assist in identifying and bringing into civilian custody the provocateurs of violence and pre-meditated unrest, and it must do more to end human rights abuses by its own members. The course that ABRI takes on this critical issue will significantly contribute to, or distract from, its domestic and international reputation. By extension, the choice will dictate the strength of the relations other nations, such as the U.S., will have with ABRI in the future.

ABRI, however, cannot be expected to successfully combat the violence alone. Civic and religious leaders, respected elders, leading publications, all have an obligation to actively denounce the violence and call for calm.

Economy

In order to restore confidence and growth to its economy, Indonesia will have to continue implementing its economic reform package. As both Secretary Albright and Treasury Deputy Secretary Summers noted during their most recent meetings in Indonesia, Indonesia must be particularly vigilant from now through the November selection of a President. Most major political figures have indicated their intention to continue with the IMF program in a new government.

For its part, the international community will have to remain committed to seeing the economic recovery process through and to addressing social safety net programs to help Indonesia's poor. The U.S. assistance program for Indonesia provides humanitarian assistance, promotes democracy and fair election practices, accelerates economic reform and recovery, and encourages better environmental management.

Under the rubric of humanitarian assistance, the U.S. government is donating 600,000 tons of wheat as well as rice and other food commodities. We are also engaged in activities to help strengthen Indonesia's social safety network. Democratization activities center on providing voter education, election administration, and training of election monitors. We plan to provide more than $30 million for the upcoming elections. We are also exploring ways to promote civil-military dialogue and strengthen institutions of civil society.

Economic reform programs draw on the expertise of a myriad of U.S. agencies. EXIM has offered a $1 billion line of short-term credit to help ease trade financing constraints on Indonesian importers. Treasury is providing technical expertise to assist Indonesian efforts in bank and corporate restructuring. Other expert advisers, funded by USAID, are helping design Indonesia's fiscal policy reforms outlined by the IMF.

A list of U.S. economic efforts on Indonesia's behalf would not be complete without mentioning the many American corporations who have retained their presence and operations in Indonesia despite the difficult economic conditions. The decisions of these companies to stay the course in Indonesia not only support that economy directly, they also support general investor confidence in Indonesia.

East Timor

The situation in East Timor is unique in Indonesia. East Timor did not share the experience of Dutch colonialism and was forcefully incorporated into Indonesia just 23 years ago. Many in the erstwhile Portuguese colony, primarily Christian and ethnically Melanesian, have resisted Indonesia's incursion ever since. The associated, often-times brutal, military repression has not engendered support or sympathy for Jakarta in this province.

In an unprecedented and unexpected announcement on January 27, the Indonesian government stated that, if the East Timorese rejected Indonesia's autonomy offer, it would recommend to the incoming People's Consultative Assembly -- the MPR -- to consider "letting go of East Timor" on January 1, 2000. This announcement constituted a

dramatic reversal of long-standing policy, a reversal for which the Habibie government deserves credit.

A window of opportunity exists in East Timor from now until the July autonomy "consultation" to establish some of the fundamental components of democracy. How to register voters, where and how to establish polling stations, what kind of voter education to provide and by what means, are only a sample of the many practical issues that will have to be resolved in the near future. The U.S. intends to be actively involved with this process. Furthermore, we believe that the systems established will provide a foundation for East Timor's democracy no matter what the outcome of this particular vote.

However, no electoral system will be successful in the atmosphere of increasing tension in East Timor. The Indonesian government must, therefore, put high priority on restoring a sense of calm and stability on the island. Disarming civilian factions and embracing proposals such as a broad-based council to promote peace and reconciliation are necessary steps. Confidence building measures such as troop reductions and an increased international presence in East Timor would also be very useful.

No one can predict the outcome of the East Timorese vote on autonomy. Clearly, however, the possibility exists that East Timor could choose to turn down Indonesia's autonomy proposal thereby raising the real possibility of independence. If this is the electoral outcome, Indonesia must realize that an immediate withdrawal of Indonesian support from East Timor will greatly increase the risk of civil war and long-term inviability for East Timor. This would reflect badly on Indonesia's international image and call into question its regional leadership abilities. Consequently, should East Timor opt for independence, Indonesia should commit to fair and supportive transitional arrangements.

CONCLUSION

The translation of Indonesia's national motto is "unity in diversity." Diversity -- as exemplified by differing languages, multiple religions, and distinct ethnic origins -- is inherent to Indonesia. Harmonious unity, on the other hand, will be a goal towards which consecutive Indonesian governments will have to strive. Successful market and financial reforms will help create the necessary economic conditions for stability and, eventually, prosperity. Equity, justice, and transparency, adopted as fundamental governance principles, will help create an atmosphere of trust. Indonesia, just like any other emerging democracy, will face many challenges in order to achieve positive economic conditions and political trust, but both components will contribute to the unity which characterizes successful nation-states.

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